### The Medicare SGRrrr Doc 'Fix' and the Transition to VBP

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### A Day of Reckoning Approaches





# Payment Reform Will Change Everything!

- FFS rates are flat (= decline) related to the ACA, a new SGR formula, and the economics of rising health costs
- ACOs, shared savings models, PCMHs, bundled payments proliferate
- Capitation will be resuscitated
- It's all going to be about VALUE





#### Journey To Value-Based Provider Reimbursement

### Compensation Continuum (Level of Financial Risk)

Small % of financial risk Large % of financial risk Moderate % of financial risk Performance-based contracting Capitation + Physician Bundled and Shared risk performance-based Shared savings Fee-for-service Hospital episodic payments contracting Patient-centered medical home Limited integration Moderate Full integration **Encounter Management Episode Management** Population Management

Hospitals expect much more of their future reimbursement to be from performance-based risk than do physicians

22% of physicians and 40% of hospital executives expect a quarter or more of their reimbursement to be from performance-based risk within 10 years<sup>1</sup>



# The SGR Fix! (Medicare Sustainable Growth Rate)

Will Radically Push Payment Reform and Changes in Reimbursement





### The Fix

- Senate Finance Committee
- House Energy and Commerce
- House Ways and Means
- All three are now aligned on payment solutions for Medicare





### The Similarities

- ♦ No SGR Cut; but a 10 year FFS freeze\*
- ♦ All give incentives for alternative payment models (APMs) up to +5%
- APMs = PCMHs, ACOs, bundles, or other new models
- After 2023, FFS: +1% yr; APMs: +2% yr
- PQRS + VBM + MU incentives merged





# But all the real upside (±9%) will come from taking risk, not staying in FFS!





## Impact of SGRrrr on Private Insurance?

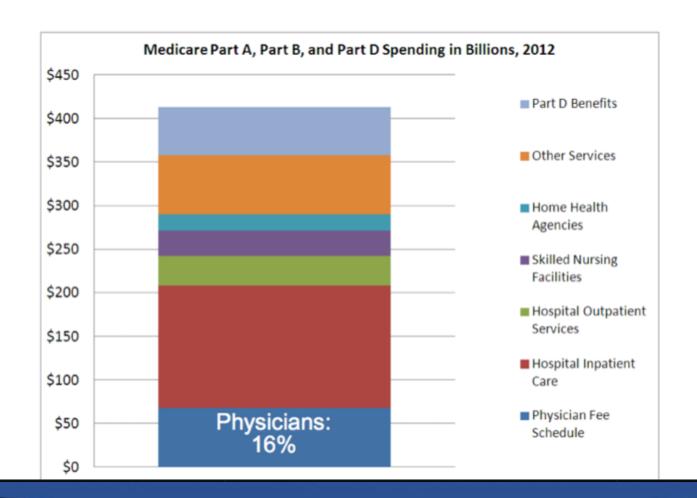
- The same strategies on steroids!
- Medicare Advantage
- The Massachusetts BCBS AQC
- The spectre of capitation over time
- What does this mean for employed physicians?





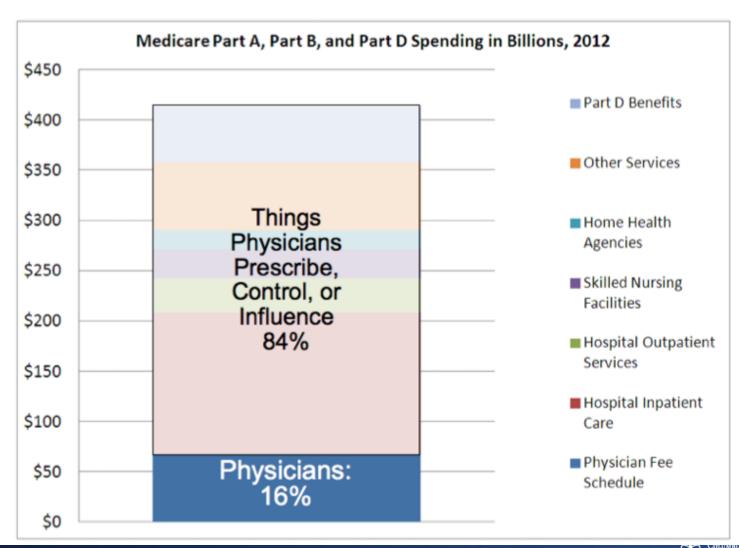
#### Only 16% of Total Medicare Spending Goes to Physicians

And under 5% of Spending in a Medicare Bundle goes to the Primary Accountable Physician





#### Most Medicare Spending Goes to Things Physicians Can Influence





### Bundling CV Care to Create an Upside in Quality and Reimbursement

How gain-sharing can work for interventional cardiology...

		5%	10%	15%	20%
Cost of Episode (PCI, TAVR, HF, etc.)		\$30,000	\$30,000	\$30,000	\$30,000
Medicare's Discount Guarantee		(\$600)	(\$600)	(\$600)	(\$600)
Target Price (Cost)		\$29, 400	\$29, 400	\$29, 400	\$29, 400
Achieved Savings		\$1,470	\$2,940	\$4,410	\$5880
Overhead Cost Estimate		(\$600)	(\$600)	(\$600)	(\$600)
Gain-share Funds Available		\$870	\$2,340	\$3,810	\$5,280
Dividing Up the Gain-share		\$870	\$2,340	\$3,810	\$5,280
CV Group and Medical Share	50 %	\$435	\$1,170	\$1,905	\$2,640

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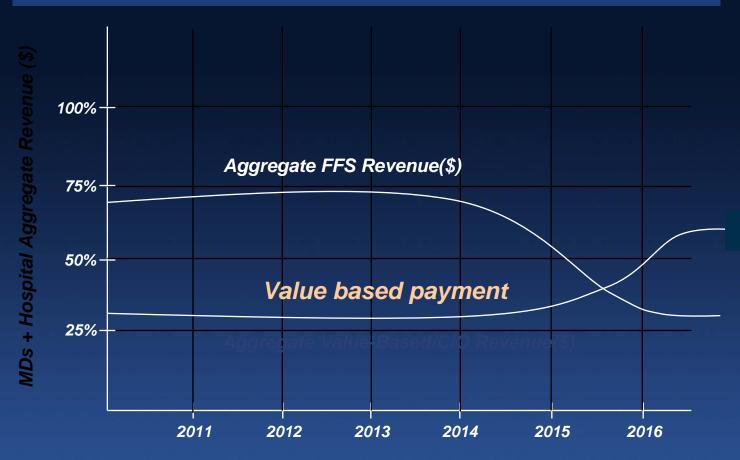
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### **Managing Reimbursement Increasingly Complex**

Alternative reimbursement methodologies will occur simultaneously and require different types of physician/hospital alignment models







#### The Accelerated Push to Performance-Based Survival

**INCREMENTAL ADOPTION** 

STRATEGIC UNCERTAINTY

PERFORMANCE-BASED SURVIVAL

2003-2009

2010-2013

2014-2017

- Incremental legislative/ regulatory changes
- Technology/IT challenges
  - Delivery system rationalization
  - MD/Hospital interdependence accelerates

- Patient Protection and Affordable Care Act 2010
- Delivery system size and market share
  - Growing number of "uninsured"
  - Physician/hospital and physician/physician aggregation/employment accelerates

- Meaningful Clinical Integration, value-based purchasing and physician leadership
  - Optimizing physician/hospital partnering opportunities :
  - Hospital-sponsored medical groups/MD employment
- New physician prgamnizations
- Value-based network structures form regionally





## The Reimbursement Future: Winners and Losers

- "Value-based payment" will apply to doctors, hospitals, drugs, and devices
- Supply & demand still affects payment
- ♦ Taking calculated risk will pay off
- FFS is flat (except discretionary care)
- Patients will be key: they will influence more and pay a lot more!











### "The best way to predict the future is to create it."

~Peter Drucker



